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JPRS L/9382

6 November 1980

Korean Affairs Report

(FOUO 11/80)



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6 November 1980

KOREAN AFFAIRS REPORT

(FOUO 11/80)

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S. KOREA/POLITICS AND GOVERNMENT

CHON TU-HWAN'S CHARACTER, IMAGE REPORTED

Tokyo SHUKAN ASAHI in Japanese 12 Sep 80 pp 150-153

[Article: "What Is Meant by the 'Establishment of Righteousness,' a Doctrine of President Chon Th-hwan, Who Holds ROK's Future in His Hands?"]

[Excerpt A Soft Image

Information reporting President Chon Tu-hwan's (49) recent demeanor has arrived from Seoul.

"Reportedly, the president has called in experts and is hearing lectures in order to study economic questions."

Chon Tu-hwan is a man who entered Army Officer Candidate School during the Korean War and, with the explanation that he "keenly felt that the requirement for a national defense (military men) is a national task," singlemindedly lived the life of a soldier for the next 28 years. Since this soldier has emerged as a central figure in the army, in the military purge and coup d'etat last December, and has become the president in a scant eight months, impromptu lessons are probably the only thing which can be done.

The way he is going about these studies, particularly his posture of learning about economic problems concerning which it has been pointed out that "a mistake in direction can only amount to one's own demise," is somewhat different from the image of a powerful military man who is said to have "eliminated influential statesmen and forces which criticized him." In fact, the information on President Chon Tu-hwan which comes from Seoul is generally as follows.

"He gives the impression of a pleasant old man with the simple honesty of country folk; he has none of the swaggering pushiness that soldiers are likely to have; he is pleasant even when saying hard things and never shows anger."

Although South Korean mass communications are subject to strict controls, during the Pak regime even Bishop Chi Hak-sun, who was a central figure in the opposition to the regime, said in the newspaper, "To actually meet him is to know that he is a gentle person and one who tries to listen to people's ideas."

The image of Chon Tu-hwan which his wife Yi Sun-ch'a (43) relates in the September issue of the monthly women's magazine (JOSEI CHUO) will be even softer.

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According to this magazine article, the two had a chance to meet one another when Chon was a frequent visitor to her home while her father was chief of staff at the army officer candidate school (deputy director of the school). At that time Chon was a soldier in his second year and she was in her second year of middle school. Later, they fell in love, and when, as a college freshman, she was stricken by appendicitis, Chon came to visit her late at night. Then he left suddenly.

"He wanted to buy some juice for me, but since he had no money, he went around to his friends to get money to bring me the juice."

When they were first married, she took a position as a beautician because his salary was low but, because he protested too much, she then privately did sewing at home without telling him about it. She says that now his favorite pasttime is to play tennis with her and their four children who range from the third grade to a sophomore in college.

An image of high-handedness cannot come out of this sort of warm home and married life. Nevertheless, information coming out of Seoul has many things like the following to say: "The president has a very strong sense of propriety that is peculiar to soldiers."

This sense of propriety seems to refer to such things as the fact that he never plays cards as people in Korea frequently do, even in military society, or the fact that even though it is said that he who becomes a general builds a fine house, Chon lives in a very ordinary one-story house and has even remodeled his living room into a cellar and garage.

This is to say that Chon's sense of propriety is one which will absolutely not permit impropriety or corruption. It has been pointed out that when he hauled in such people as Kim Chong-pil, the former president of the Democratic Republican Party, and other important people of the era of the Pak regime on charges of improperly amassing wealth, and when he dismissed nearly 9,000 government employees for reasons of corruption, this, in a sense, was a play for popularity among the people, or an effort to "eliminate political enemies," but experts thoroughly familiar with Korean questions explain that "a lot of this was due to the character of President Chon Th-hwan, who is said to be excessively fastidious."

It is said that in the purge of government employees "in order that his own footing would not be disturbed, he did not expel a single person from within the military." There was only one military person arrested for improperly amassing wealth. This was former Chief of Staff Yi Se-ho. Experts on South Korean questions say that this was the only man Chon Tu-hwan could not forgive.

"This is because Yi Se-ho, during the time he was commander of South Korean forces in Vietnam, while Chon Tu-hwan was a regimental commander in Vietnam, embezzled as much as 4.45 billion yen in public money. Chon Tu-hwan was very angry at this because it was done while Yi's subordinates fought and bled."

President Chon Tu-hwan's sense of propriety is coupled with a soldier's rough and ready way of thinking. When he had supreme power nearly in his hands he started a "purification movement" but, even so, he put down the Kwangju incident with

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military force and eliminated forces which were critical of him. Consequently, his image as being high-handed will not be put to rest.

Convictions Born of Experience in Vietnam--Ideology and Belief

Chon Tu-hwan was born in January 1931, the fourth of six children born to a poor peasant family in South Kyongsang Province. Later he moved to Taegu City in North Kyongsang Province, and graduated from Huido Elementary School in Taegu in 1945, after Japanese colonial rule of Korea had ended. He graduated from Taegu Industrial High School in 1951, the year after the sudden outbreak of the Korean War. He then entered the army officer candidate school.

"At a time when our country was in danger from flying bullets during the Korean conflict, I entered school aspiring to high rank."

After that, he lived the soldier's life for 29 years. He held his ceremony of retirement from active military duty on 22 June in preparation for assuming the office of president. At that time, Chon Tu-hwan made it known how his own thinking had taken shape.

At his retirement, Chon Tu-hwan, who was an eyewitness to the Korean War and the period of postwar upheaval during his time as a soldier, said that at that time "he was consumed with a sense of mission that he must be a soldier to defend his country...and he considered honesty and truth and a sense of moral obligation to establish righteousness as absolute values." He said that this sense of value and those convictions are the particular elements governing his thoughts and actions even today.

Considered from the standpoint of Chon Tu-hwan's "thinking," the era of the Yi-Sung-man regime after Chon's graduation as an officer, particularly the last stages of that regime and society after the "student revolution" of April 1960 which followed the end of the Yi regime, is seen as an era when "irrationality, incompetence and irresponsibility were widespread." He says, "It was an era when I became resolved in a sense of mission that another righteous society must be realized." However, what further clarified President Chon Tu-hwan's "ideology" was the year beginning in November 1970 during which he was in combat as commander of the 29th regiment of South Korea's White Horse Division in Vietnam. He says:

"I witnessed firsthand the state of disorder in Vietnamese society just before it fell. As a result, I felt in my very being that the survival of a nation must ultimately rest on national security, and that where internal security and public order are broken down, both freedom and political development become a house built on sand."

Later on, when he was vice commander of the presidential protection office, Chon Tu-hwan won the trust of the late President Pak. He rose even higher in the late president's estimation when, during his tour as commander of the First Division, he discovered the third tunnel from the North. In March of last year he became Armed Forces Security Commander.

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This "thinking" of Chon's which was clarified while he was in combat in Vietnam probably provides a good explanation of Chon's actions and thinking after the tragic death of President Pak. After President Pak's death, Chon put the brakes on the mood of "democratization" which had become widespread among the people; he pushed the threat from "the North" to the forefront and gave top priority to national security.

Furthermore, the move to "purify society," in which important figures from the time of the Pak regime were arrested for improperly amassing wealth and corrupt bureaucrats were swept out all at once, probably originated from Chon's experience of having witnessed at close range the fact that Vietnam was destroyed not only by attack from the North, but also by corruption within its own government.

There is another factor besides this "formation of ideology." Chon Tu-hwan and the other members of the 11-man group which carried out the military coup d'etat that has been called a practical seizure of power, "were the first officers to graduate after the switch from the short term training which had been followed to that time to the American style, four-year education system; they were indoctrinated with a thoroughly elite education during the Korean War." (This quoted from an expert on military affairs.)

An expert on Korean questions points out that if this group later became loyal supporters of a restoration of the late President Pak's system, "they could also be expected to have, engraved on their hearts, the precept that former President Pak's excessive democratization would invite attacks from the North." President Chon Tu-hwan in particular was an elite among the elite military people. He had a career history of important military posts and was a general who was the top ranking man in the 11-man group. It is also said that President Pak's trust in him was particularly strong.

Because of this sort of "thinking" and "experience," Chon would feel that in view of the confrontation with the North, national security would be more important than democratization or anything else. This was probably the thinking with which he saw the demonstration in May by 100,000 students demanding democratization involving 800,000 citizens. It was probably the same thinking which he had when he suppressed these demonstrations with military force and eliminated the forces which were critical of him. Experts on Korean questions generally point out:

"All of this is true, but one fact which cannot be overlooked is that once a man has seized power, to lose it means a fall for himself and his supporters and, if he handles things poorly, he could lose even his life. Since he has set out to seize power in a military coup d'etat, he can only see it through to the end. He is not permitted to let his personal feelings interfere in mid-course.

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S. KOREA/MILITARY AFFAIRS

ROK NAVAL TRAINING SQUADRON TO VISIT JAPAN BY YEAR END

Tokyo MAINICHI SHIMBUN in Japanese 3 Sep 80 p 2

[Text] According to the report revealed on the night of 2 September by the Japanese Self Defense Agency, a training squadron of the ROK Navy could for the first time visit our country as early as December of this year. Yokosuka seems to be the most probable place of stop.

The training squadron's visit to Japan was a basic agreement reached between No Chae-hyon, then ROK defense minister, and Yamashita, then director general of the Japanese Defense Agency, as the first concrete step toward broadening the exchange of Korean-Japanese defense personnel. The agreement was reached last July when Yamashita as director general paid a visit to the ROK for the first time.

Following this, because of the sudden political change in the ROK such as the assassination of President Pak and the establishment of an entirely new system, the direction of military exchanges between Japan and the ROK has been watched. If the plan for the Korean squadron to visit Japan could be materialized, there would also be a high possibility for the training squadron of Japan's maritime self defense unit to visit the ROK in the coming year.

The military exchange between Japan and the ROK have already been steadily promoted, for example, by the visit of Japan's chief of General Staff to the ROK. According to the Japanese maritime staff's sources, even though these squadrons are training squadrons, to materialize mutual visits by these squadrons representing their country, will have an epoch-making significance in light of the historically delicate relations between Japan and Korea, and the possibility of expanded military exchanges between the Japanese Self Defense forces and the ROK armed forces seems very high.

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S. KOREA/ECONOMY

CURRENT STATE OF ECONOMY, FUTURE OUTLOOK EXAMINED

Tokyo NIKKEI BUSINESS in Japanese 21 Apr 80 pp 68-80

[Article by Seigo Inomoto: "The Korean Economy, Naively Groping Forward"]

[Text] The Threefold Trouble of Depression, Inflation and Deficits

Last winter in Korea was exceptionally cold. Winter in Seoul is severe even in a normal year, with the temperature falling to 10° below freezing in January and February, but this year it was close to -15° to -20° for days on end. Japanese business representatives say, "At night, a person standing outside can be frozen stiff." This cold symbolizes the present condition of the Korean economy.

Rapidly rising inflation, severe recession and a widening international trade deficit really present three serious difficulties. With the Korean Government's policy of severe restraint, the import controls imposed by every country, and a sudden jump in labor costs, together with a loss of competitive power, the double-figure growth rate of the GNP for the 3 years starting in 1976 was followed by a fall of 7.9 percent in 1979 and is likely to decline by 3-5 percent this year. It had not been at such a low level--i.e., below 5 percent--since Korea's First Five-Year Plan began in 1962.

Exports on a customs clearance basis were \$15,055,000,000 last year, continuing their rapid growth--an increase of 18.4 percent over the previous year but falling below the original target of \$15.5 billion. While imports were expected to increase only to \$17-17.5 billion from the \$15 billion figure in 1978, influenced by the sudden increase in oil prices, they suddenly rose to \$20.3 billion in 1979, and this year they are expected to increase to \$22.5 billion.

Because of this, the balance of trade, which had been positive since 1965, although showing a surplus of only \$15 million in 1977, showed a deficit of \$1.1 billion in 1978 and jumped to \$3.9 billion last year. This year, conditions are such that the deficit will further increase to \$4.7 billion. Prices are the worst feature of the threefold handicap. Because of the high growth policy, the Korean economy has a built-in tendency toward inflation. A price increase rate of 10 percent was normal in former years, but the rise in the last 2 or 3 years has been terrible.

Average Prices Rise through the Roof

During 1 year, white-collar workers in Seoul have seen public bath charges go from 240 won to 450 won (1 won = about 0.42 yen), a haircut from 1,500 won to

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2,300 won, and a popular general magazine from 900 to 1,500 won. In addition, the basic rate for a taxi increased from 300 won to 500 won, and Chinese cabbage, the raw material of the Korean necessity kimchi, rose because of seasonal factors and harvest problems from last year's level of 200-500 won to 1,200-2,200 won in February and March of this year.

The price of oil and the cost of electricity have a great influence. In July of last year they rose by about 59 and 35 percent, respectively, and the price rise was finally about 59.4 and 35.9 percent this January. In about 7 months, oil prices are calculated to have increased by a factor of 2.5, and electricity costs by a factor of 1.8. Since the effects extend to industrial products, industrial raw materials and all kinds of public charges, and in fact to all prices, the government imposed a price freeze on rice, coal and city gas prices.

According to government price statistics, wholesale prices rose 11.7 percent in 1978 and 18.8 percent in 1979, and consumer prices 14.4 percent in 1978 and 18.3 percent in 1979 (respective annual averages). These do not appear very high, but the general opinion in the industrial world is that "this is because the statistics are incomplete." Actual experience is that wholesale prices and consumer prices each rose by more than 20 percent in 1978, and by the end of 1979 by more than 30 percent, over the previous year.

In addition, the inflation rate this year has been dreadful. In the 2 months to the end of February, wholesale prices had risen by 17.5 percent and consumer prices by 7.9 percent. In connection with this, the Korean Government explained: "Because of the enforced devaluation of the won by 19.8 percent in January (from \$1 = 484 won to \$1 = 580 won) and the rise in oil prices, price rises from now on will be rather large. At the end of this year, the wholesale price should be limited to a 27-28 percent increase over the same month last year, and the consumer price to a 22-23 percent increase" (Economic Planning Board).

However, as regards the price rise at the end of this year, the situation is summed up by the management of a large household electric manufacturer: "Who is going to believe that?" "Based on wholesale prices, consumer prices may even exceed 30 percent" (textile fiber management); this is not an unusual viewpoint.

The origins of the price rises are diverse. Firstly, for the period from 1977 to the first half of 1979, the rapid expansion of the money supply is chiefly mentioned. M-2 (cash currency plus demand deposits and term deposits) increased at an annual average rate of 36 percent during the 3 years 1976-1978. This is clearly excessive, as the nominal economic growth rate in the same period was 32 percent.

Excessive Investment in Heavy Chemical Industry

Secondly, the rise in wages since 1976 at an annual rate of more than 30 percent gave rise to a vicious spiral of wages and prices, causing a change in the consumption structure and a great widening of the consumer goods demand gap. The demand gap was particularly intense in foodstuffs such as beef, milk, fruit, etc., and in household manufactured goods, cars, homes, etc. For example, one banana (not a whole bunch!) at present costs 200-300 won and an orange 700-800 won; the rent for houses and apartments has risen 10-fold in 10 years. Accompanying this, a speculative boom has arisen in land and paintings in 1978 and 1979.

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Apart from this, the spiral is raised by import inflation and sudden price jumps in resources and materials, the defense tax since 1975, the value added tax since 1977, and special consumption taxes, all of which have a large influence on prices.

In addition, the government policy of using the heavy chemical industry as a leader cannot be ignored. That is, since all the above-named inflation factors are all organically connected to the heavy chemical industry policy, it plays a pivotal role, so to speak. Finally, it may be said that heavy chemical industrialization is excessive. The government projections for the 4th and 5th years after 1977 call for the enormous investment of 3.27 trillion won in 5 years.

Particular stress is placed on this by the machine industry, investment in which is close to 30 percent of the total. However, the manufacture of machine industry and other capital goods requires many years of experience. In the development of a market and the selection of a product line, time and experience in marketing are required. Given the inability to attain a level of production corresponding to investment, and given the contributory factor of the recession in world conditions and the policy of tightening investment, the result of all this is that the heavy chemical industry is showing a large investment surplus. Wages appear to rest in peace.

On the one hand, the money supply has been rapidly expanded by the high growth policy being centered on the chemical industry. This has been spurred by the large inflow of foreign currency resulting from the enlargement of export product lines since 1976 and construction and service exports centered on the Mideast.

Moreover, putting excessive stress on the financing of the heavy chemical industry has limited the money available for light industry and everyday articles, the manufacture of necessities, or small business and agriculture. Unlike the policy of low-interest financing for the heavy chemical industry, general financing carries a high rate of interest. Capital accumulation by Korean businesses is meager. In general finance, the so-called "private credit" high-interest traders' capital should also be utilized.

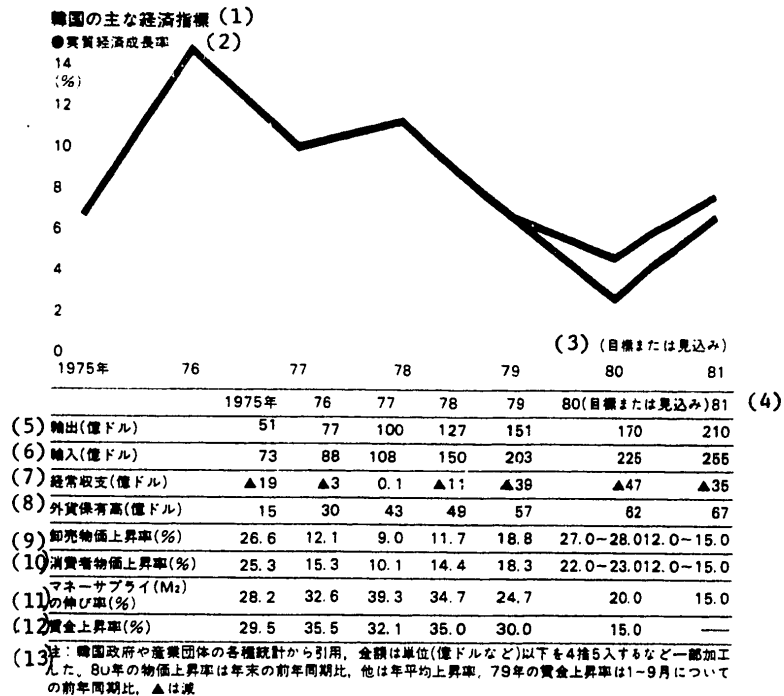
The result is an enlargement of the supply-demand gap and an increase in the prices of light industry goods, everyday necessities, and agricultural materials. This superhigh growth policy gives rise to wage rises because of the scarcity of workers.

On top of conditions which were literally overripe, there was added the second "oil shock" of 1979. Oil was poured on the flames. The flames of inflation flared up strongly. Of course, the government applied a strongly restrictive policy. The growth of M-2 fell by 10 points, from 34.7 percent in 1978 to 24.7 percent in 1979; the plan is to tighten it further this year, to 20 percent. Furthermore, the devaluation of the won on 12 January this year promotes exports, and a high interest rate was promulgated by a 5-point rise in the average loan interest rate at one stroke, from 18.5-19.0 percent to 24.5 percent.

However, no matter to what extent the "oil shock" was the primary cause, inflation does not stop. With a policy of restraint, and with the world recession, the situation is worsening. The size of the deficit in international trade balances is increasing. Thus the threefold troubles have continued since 1979.

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Key:

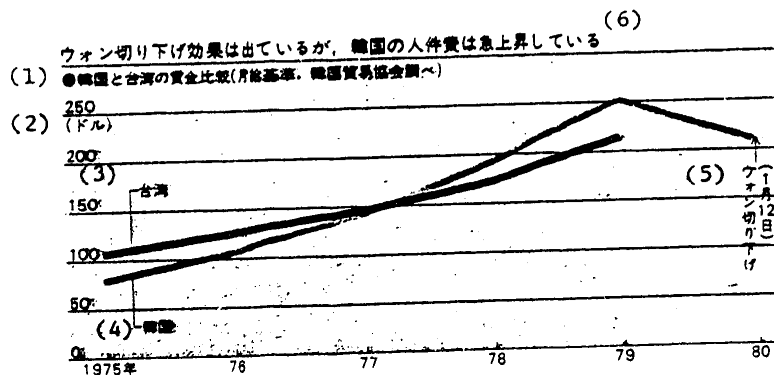
1. Main ROK Economic Indicators
2. Actual Economic Growth Rate
3. Targets or forecast
4. Targets or forecast
5. Exports (in \$100 million)
6. Imports (in \$100 million)
7. Current balance (in \$100 million)
8. Retention of foreign currency (in \$100 million)
9. Rate of wholesale price rise (%)
10. Rate of consumer price rise (%)
11. Growth rate of money supply (M-2) (%)
12. Rate of wage increase (%)
13. Prepared from various Korean Government and industrial statistics; amounts less than \$100 million are rounded off. Price increases of goods are based on the increase over the previous year-end figures. Others are average rate of increase. The 1979 rate of wage increase is obtained by comparing the figures between January-September of this year over the same period last year; ▲ indicates a decrease.

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Decline of Exports; Fall in Rate of Operation

In the midst of the threefold troubles, the distress in the industrial world is intense. Earnings are worsening sharply, and there are many firms whose proceeds never reached the levels of previous years. The state of the construction industry field: "Domestic homebuilding is leveling off in comparison with previous years, and even exports are leveling off; one would like to think, but..." (Choe Chong-hwan, Samhwan Industrial Co).



Key:

- | | |
|--|---|
| 1. Comparison of Korean and Taiwan Wages (Monthly salary base; statistics of Korean Chamber of Commerce) | 4. South Korea |
| 2. In Dollars | 5. Won devaluation of 12 January |
| 3. Taiwan | 6. The devaluation of the won has had an effect, but Korean labor costs have risen rapidly. |

In the motor industry field, also: "This company initially drew up plans for manufacturing 150,000, but in fact last year's average was 110,000," said Yi Su-il, Hyundai Motor Co. Supply did not overtake demand until about the beginning of 1979, with waits of even 6 months, but this situation is changing.

In the household electrical field, too: "An expansion of 30 percent in domestic sales for the whole year was planned, but for January and February they have fallen 10-15 percent," complains Ch'oe Son-nae, Kumsung. Here it is not only a case of business conditions being bad; the basic marketing of black and white TV has run its course, and as against sales of 1.6 million for last year, this year no more than 1 million can be expected--a main structural factor also. In addition, the fact that the government has not begun color transmission is a major negative factor. The large makers, Kinsei Company, Sansei Denshi, etc., with payroll of about 15 billion won, are constructing plants for color brown tubes.

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"Differences arise between the affluent class and the low-income class who do not buy color TV, increasing dissatisfaction in the nation"; "In a rigorous economic environment, it is unwise to drain into luxury activities." These are the chief reasons why the government does not sanction color broadcasting. On the other hand, Sansei Group's Yi Pyong-ch'oe commented: "The consumers' need for color TV is strong. The problem is that persons having income from hard work will not buy mono." But there is little prospect that [color] broadcasts will begin this year.

Successive Retreats by Japanese Manufacturers

The environment for exports is not good, either. Besides the loss of export competitive power due to the rise in labor costs, import controls are strengthening all countries. Labor costs, compared with those of Taiwan, Korea's greatest rival in the international market, were 75 percent lower in 1975, but they reversed in 1978, and became 17 percent higher than Taiwan's in 1979 (Korean Trade Association information). With the January devaluation, Korea is again some percentage points lower, but Taiwan's prices were stable, and also immediately a rollback was considered.

Moreover, in the Korean export total, the comparative rate of import control items was 15.1 percent in 1973, but it had risen to 24.3 percent in 1977. At the present time it appears to exceed 25 percent.

For example, 80-90 percent of color TV exports go to the United States, but since February of last year [U.S.] import controls have been applied, and last year's exports were 420,000 as compared with 580,000 for 1978. Recently, Matsushita Electric Industrial Co withdrew capital from Korea National Electrical Equipment and Gohben Co of Korea. Besides Matsushita, Sony is moving the direction of a gradual withdrawal, and the viewpoint is strong that "in the future, there will be a succession of withdrawals of Japanese businesses."

Fibers, Korea's leading export product line, making up a third of its exports, are subject to stringent import controls. Accompanying labor cost increases, there was a sudden price jump of 31 percent in 1978, but in 1979 the price increased only 13 percent. At the beginning of this year the situation has not improved. "The textile relationship, centered on small businesses in the Taegu urban industrial zone, is serious" (Korean Chamber of Commerce).

Vehicles take about an hour to get from Pusan to the export-free zone of Masan. Thronged by businesses from Japan, this zone is in the vanguard of Korean export activity; exports increased 32 percent in 1978 over the previous year, and even last year by 24 percent on the same basis. However, an increase of only 10-15 percent is expected this year over last. The lettering "All-Out Exports" on the front of the office buildings seems to have a tragic flavor.

"Getting Colder" Heavy Industry Housing Complex

Export conditions are severe in the heavy chemical industry. The Changwon industrial base, 15 minutes from Masan by car, is a heavy industry housing complex for heavy chemical industrialization, the chief strategy envisaged in the Fourth Five-Year Plan. The total area is 14.7 million tsubo [529.2 million

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square feet]. Seventy-one companies operate on a huge plot of ground, with an investment in equipment worth \$1,285,000,000. In addition, offices for 49 companies are located there.

However, the present average rate of operation of businesses based at the administrative site is 60 percent. Calculations of the work differ, but according to another estimate the rate of operation is 40-50 percent for more than 30 percent of the businesses. Regular operations began at the base 2-3 years ago, and in the beginning it was not thought unreasonable to expect full operation.

However, because excess investment undivided from technology attracts attention, a rapid rise in operations in a short period is difficult. There are many factories under construction, and until they are completed the investment in them to date is useless; because of financial restrictions, in practice the cooling off is severe.

A particularly serious case is Hyundai International, Inc. An investment of \$400 million, a third of the original planned investment, was made, but foreign currency payments were not maintained, and 2,500 of the employed staff of 4,000 persons were transferred to the Ulsan plant of Hyundai Heavy Industries Co Ltd, in the same group. At present, conditions are close to insolvency, it is said.

Steering Policy toward "Regeneration"

In this situation, the steering of Korean Government policy is difficult. A large investment would be required to revive the whole of the heavy chemical industry, and there is a fear of rising inflation. Capital for loans to medium and small businesses is scarce, and anxiety about unemployment is increasing.

Thus, the government at the present time is stepping up regulation of heavy industry investment. The aim is to promote a tendency toward improvement in the whole industrial sphere, avoiding investment in excess equipment. For example, a reorganization was imposed on the four large manufacturing companies Hyundai Heavy Industries Co Ltd, Hyundai International Inc, Samsung Heavy Industry and Daewon Heavy Industry, putting them into two groups. As the four companies are oriented to the manufacture of electric power machinery, this division of both Hyundai companies and the Samsung and Daewon companies into two groups is a move toward investment regulation.

Slight Effect of Won Devaluation

For this reason, the integration of both Hyundai companies and work-sharing between Samsung and Daewon was speeded up in May and June last year. However, Hyundai International Inc has large liabilities, and opinions and so forth in the group are entangled, and it is thought that the reorganization has not progressed. As regards the reorganization of other heavy industry companies, there are the same problems, and investment regulation has been shipwrecked.

On the other hand, exports in the first quarter of this year are not bad. A little under \$3.8 billion in March, they increased 22.1 percent over the same period last year.

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However, this is a direct effect of the devaluation of the won. In the future, [export earnings] will be reduced by the increase in the rate of interest, the rise in labor costs and the import inflation effect accompanying the devaluation of the won; furthermore, the view is that exports will not rise. In fact, the Korean Chamber of Commerce calculated that in the first 10 days of March, the 19.8 percent effect of the won devaluation was diminished by a 13-percent cost increase. The quarter's increase in exports was 17 percent over the same months of last year, but the average rate of increase was smaller, supporting this [calculation].

On 27 February the government converted to an exchange system tied to the U.S. dollar, with the addition of the currency basket included in the SDR (IMF Special Drawing Rights) as a composite basket system, changing over to an essentially floating exchange rate system; this could be said to show the weakened effect of the January devaluation.

Because of this, criticism in the industrial world of the government's policy of restraint has increased. Of course, said the chairman of the Samsung Group: "Business is extremely difficult, but the present policy of restraint aimed at curbing inflation will not be stopped." The general trend is toward criticism of restraint.

"The money supply is said to be abundant, yet compared to Japan and Taiwan it is meager as a proportion of GNP. An increase in M-2 is desired without an accompanying increase in interest rates. At present the production sector lacks investment funds and working capital." (Chong Chu-yong, chairman of the Federation of Korean Industries and chairman of the Hyundai Group).

"The present Korean economy has three teeth: high interest rates, high wages, high taxes--like the 'teeth' of raised sandals. Starting out for exports on raised sandals, going to extremes, can competitive strength be expected? We want to run barefoot." (Kim Ip-sam, vice chairman, Federation of Korean Industries).

"In a recession, large businesses are penetrating into the medium and small business field, and sight bills from large businesses are on the rise. So long as special financing does not increase, it is inevitable that there will be many bankruptcies of small businesses." (Won Yong-un, chairman of the Korean Federation of Small Business).

As against this, Mr Kim Ki-hwan, administrative special aide to the Economic Planning Board, having powerful authority in the Korean economic administration, said laughingly, "People in the industrial world are prone to feel greater pains than the symptoms of the illness and to scream that they are in pain." He then expressed himself as follows: "The situation is mobile, and the cabinet has certainly not finally decided, but at this time (the beginning of March) there will be no relaxation of restraint. Of course, importance is attached to the financing of medium and small businesses."

While taking the posture of firmly maintaining restraint, in the background the Economic Planning Board, except for curbing inflation, seems to have been advancing

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the freeing of the economic system. This freeing policy has essentially been in operation since the end of 1978.

For example, up to the end of 1978, 349 import items were freed; the liberalization rate was 68.6 percent. Moreover, beginning last year the previous licensing system was widely freed, making import business accessible to final consumers. Besides this, the number of price-controlled items had been reduced from 144 to 35 by the end of last year.

However, after such liberalization became widespread, there was the President outrage last October. The drive to democratize the administrative system being closely linked to him, "the extent of economic control will weaken, the scope of the competitive principle will be enlarged, prices will be pulled down and at the same time quality will be higher and the economy will be activated," it was said.

Since the beginning of last year, the price and production of noodles, tea brittle and the like have been placed under government control. "Under the circumstances, it is difficult to increase economic vitality. In a small-scale economy it was inevitable, but with the Korean economy becoming big, controls are clearly a minus." (Kim, special assistant). With controls, bureaucratic power is strong, power is misused, and corruption is rewarded. "Up to now this was prevented by the Yushin Constitution, but at a time when constitutional revision has been raised, economic liberation is indispensable," [Kim] also said.

Maintaining Activity by Freeing

At the present time, with the high interest rate and policy of restraint, the government has no protective coloring; undertakings survive by adding physical strength to the competitive principle. It could be said that the basic policy of present government chief executives is transient and tentative government--"from a large government to a strong and efficient government." In this connection, in order to eliminate the bad effects of monopoly accompanying freeing, the government has been impressed by the Japanese monopoly prohibition law, and in fact this policy is to be introduced before the national assembly next autumn.

However, freeing in this way takes a long time to achieve economic activity. It could be said for freeing that the policy of restraint is too drastic a treatment, and the patient who should recover may even die. While curbing inflation, the Korean Government should also stimulate business buoyancy, promotion of exports and control of unemployment. Only when problems pile up is there a big change in the policy direction.

When March comes, the warmth in Korean streets increases rapidly, but as for the Korean economy the opposite is true; the "winter period" remains. Regulation will need another 1 or 2 years. But Korean businessmen are certainly not going to hibernate. Rather than a crisis, a movement is conspicuous to seize the chance to build physical strength, reduce costs, improve productivity, upgrade manufactured goods and so on. Let us next take a look at this definite trend.

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Labor Saving and Productivity Improvements; Change to High Added Value

(Ministry of Energy and Resources)

Changwon Plant of Sansei Heavy Industries, close to the entrance to the Changwon industrial base, 11 March. It is really cold. The first thought was that the heat was not coming in because the room had not been in use. However, after a long time it still did not become warm. After sitting for a long time, it was cold about the knees.

Try to inquire why the room temperature is kept at 12-13°C. Heaters are on only in the morning. "Move around a lot, wear a thick sweater and you're still not warm," laughed Shinsuke Nakamura, plant superintendent temporarily transferred to the company from the Ishikawajima Heavy Industry Co, Ltd.

Last winter the room temperature was about 20°C. There was a big energy-saving effect from this, from stopping leaks of compressed air, etc.; process improvements; January-February energy consumption was 20 percent lower than in the same period of the previous year. At the beginning the 10-percent target was greatly exceeded. In the same plant, the fuel cost is 3.5 percent of turnover. A continuation of the 20-percent decrease throughout the year would mean a saving of 0.7 percent. The contribution to profits is not large. In the same company, the costs of expendable supplies, communications, etc., were reduced by 10 percent compared with the previous year, and all possible efforts were made to achieve savings.

This development extends to the whole of the Korean manufacturing field. The Ulsan plant of Hyundai Heavy Industry Co, Ltd, has a goal to reduce gasoline usage by 25 percent from the previous year, and staff have been prohibited from using cars for commuting.

Similarly with cars at Ulsan at the present time, frugal energy-saving arrangements are made. Formerly unnoticed in one plant, electric lamp switches have been put in the workplaces, and a system has been drawn up for extinguishing lights when not in use. Also, since the electricity price rise in January of this year in Korea, and the start of a differential between midday, evening and midnight rates, thorough electric power management has been carried out by increasing work during the cheaper midday and midnight periods. The movement for saving energy and costs began last summer, and it is said that a 10-percent reduction in lighting costs has been made since the previous year.

Savings in office costs have recently increased by removals from high-rent buildings to cheaper buildings. For example, in Seoul they boast of a very high-class, modern, main office building. One of the four Korean trusts and a number of affiliated companies were in the office, but when earnings worsened last year they left the building one after another.

If they do not move from the building, space is reduced. Sunkyoung Fibers Ltd, in which Teijin has an investment, used 200 tsubo [7,200 square feet] in the Kukdong Building for the past 2 months, approximately a reduction of 10 percent. By this alone 100 million won will be saved in rent during a year.

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Extensive Direct Ratio Advance Movement

(Advance in Productivity)

The target for the Ch'angwon Plant of the Samsung Heavy Industries is a productivity advance of 23 percent over last year, and at the present time the DR (direct ratio) advance movement is moving forward. This means increasing the ratio of hours (DR) devoted to production in the operating hours of a day, and reducing to the utmost hours spent in holding meetings and in cleaning the workplace. "Since it began last July, at first [the DR] was 78-79 percent, and up to the present time it has risen to 83 percent. The target is 85 percent." (Kim Chong-chung, plant superintendent).

Apart from this, standardization of production processes and technical training, etc., is being strengthened. "It has not been in proper operation more than half a year at Seisan Heavy Industries. This is a short period, but in Japan the same method has been used, with a doubling of production in many cases. There is a wide scope for productivity increase by this technique alone; with accumulated experience, our export competitive strength will greatly increase," Yi Hyong-sok, chief of the production management office plant planning team in the same company, said enthusiastically.

Thus awareness is, on the whole, high. The management environment of heavy industry is severe, but among many Korean heavy machine manufacturers it is "old and established," with a history of more than 40 years in the large Korean heavy machine industry. "This year, 2 billion won will be saved by increase of production, rationalization, etc.," said Vice President Kim Hui-che. Even in the domestic electrical industry field, Sansel Electric Industries has come to grips with VA (value analysis), which aims for improvements in the production process, etc.; introduced in the middle of last year in a department of Kinsei Company, it aims for productivity increases and thorough profit management.

Sunkyoung Fibers Ltd is a case which is a benchmark for increases in Korean productivity. Production in the Ulsan polyester staple fiber plant increased in 3 years from 100 tons/day to 150 tons/day, an increase of 50 percent. Vice President Toshirhiro Matsumoto, temporarily transferred from Teijin Ltd, made the assessment, "The Korean technologists by themselves, even without making a real investment in equipment, have achieved partial improvement. Even in Japan this by itself would be an uncommon feature. The level of Korean improvement technology is high."

Sharp Decrease in Volume of Exports; Small Reduction in Amount

(Upgrading of products, product line development strategy)

The upgrading of manufactured goods and the state of progress towards increasing added value can be seen in electrical products--for example, models of tape recorders. In 1979, 8.23 million were exported; this was a rise of only 14 percent over the previous year, but the revenue rose 44 percent. As for radios, volume declined by 26 percent compared with the previous year because of import controls by other countries, but revenues did not decrease so much--only 15 percent. However, the increase in added value due to price rises brought about by increases in unit costs is a big feature. This is seen in the case of fibers and sewn

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manufactured goods. The production management technology and production technology for high added value products is increasingly being acquired in the heavy industry field from the high precision demanded in the defense industry.

It is also true that there is an accumulation of technology for handling goods which were initially difficult to manufacture. Samsung Shipbuilding, after 1 year of full operation, and thus a very young company, quickly received orders for 2 support ships for offshore drilling rigs, and they were launched in 3 months, on schedule. Although they were small ships, 23 million tons [as published], from the point of view of stability and of capacity for transfer in rough seas, a high degree of technology was required. Ishihara technicians who gave technical cooperation said in praise, "Besides, placing of the engines and so on were difficult operations, and with such short experience, launching on schedule was splendid."

As well as the improvement in manufactured goods, advances and strategies for entry into new fields and the development of product lines are highly motivated. Sansei Electric Industries originally developed home VTR's (video tape recorders), and since January of this year they have test-marketed 100 per month in Seoul. The rival Kum Sung Company has also sold them since about last July, and the Taihan Electric Wire Co Ltd is also close to sales; furthermore, the three companies expect to launch into exports by the end of the year. Original development means imitation of Japanese products. The price of Sansei Denshi products is high in Korea, 980,000 won (approximately 410,000 yen), but the Japanese makers have found a strong interest in Japanese VTR home performance alone.

There are various other cases apart from these. Taihan Heavy Machinery Co is planning a special steel plant of 100,000 tons production per year with the introduction of funds from the Japanese Export-Import Bank this year. Furthermore, Sunkyoung Fibers Ltd this year is operating a POY (intermediate process yarn) plant (14 tons/day production) for raw material for DTY (manufactured yarn), and in order to diversify into the nonfiber field it has developed and marketed polyester resin containers (e.g., soy containers), though only a few. Samhwan, a large construction undertaking, has come up against ceiling prices in Mideast exports. "From now on, there will be advances in opening up the Southeast Asian, Central and South American markets and others, and the work with high added value will be increased," was the opinion of Ch'oe (president).

Hunkuk Solar Power, in the Masan export-free zone, is another case in which there is great interest in the future direction of advanced Japanese firms. This company is a totally owned subsidiary of a Japanese electrical accessories and solar power manufacturer, established in November 1972. The target was an advance in inductors and other electrical accessories, but because of last year's wage increases the production of high value added goods has been strengthened.

Possibly in the forefront of production volume this year are taping inductors. These inductors for use in tape [recorders] sharply lower the setmakers' labor costs by automatic insertion. They sell well because of this feature alone. "Not just in solar power are there epoch-making products and market expansion," it is said. Since 1977 there has been an investment of 350 million yen of installed solar power in Korea, and at the present time they are all at the same level as Japan-made items.

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Mr Katsu Yasuda, technical consultant temporarily transferred from Japan to the [Hunkuk] company, said, "The period in which Japanese business has advanced with low wages as the target is about at an end. From here on it will be necessary to think of high added value goods."

Crisis a Good Opportunity for Market Enlargement

(Employee training)

Staff training is an essential factor in productivity increase and the increase of products' added value. Modernization in Korea is only recent; it is said that the whole industrial field is coming to grips with staff training, and this tendency is certainly increasing. In the electrical machine manufacturing field, technical schools have been set up in many businesses since 1976.

For example, at the Korea Solar Power Electric [Co] there are 80 students in the technical school. "This year, many graduates from the school will go into the work force. Thus the whole technical force will be upgraded," said Ha Man-chi of the same company, with pleasure. Training centers for education in technical schools have also been established in the heavy industrial field.

In addition, management training is successful. In the Lucky Group, department heads have had to undergo 8 months' training in the English language. The usual extent of English-language training in businesses is 1 month, and hardly any extend over 8 months.

(Opening of Markets; Enlarging of Share)

"Crisis is a good opportunity for opening of markets and increasing the market share." (Yi Hyon-u, vice president of Samsung Co Ltd) Because of the worsening of market conditions, the manufacturers' selling power weakens; a company with a good sales network should borrow power and from the viewpoint of this company should propel the development of the attack beginning this year. For example, because of the worsening of the plywood manufacturers' market conditions, revolving around the "jewel" [tama] in these same companies, up to 1978 hardly any plywood was handled, but last year up to 7.3 percent was exported, and this year an increase up to 8.8 percent is expected.

Furthermore, the capital and energy demand of the whole of Korea is increasing, and their maintenance has become an urgent necessity; thus the import business in grain, coal, LNG (liquefied natural gas), etc., has been actively pushed, and a two-fold increase over the previous year is planned. The turnover this year will be 1.7 billion won, a 70-percent increase over the previous year. Expecting high growth, they look askance at manufacturers troubled by the recession.

Since Korea is solely an export-based country, the management of commercial firms and their exports are certain to increase imports and domestic sales. "In the course of expansion of turnover and competition between commercial firms, 10 general trading companies became 4 companies over a period of time, and recently they have become 2 general trading companies. In the future, specialty firms will probably change, too. Because of this alone, present efforts are important," so Vice President Yi wished to say.

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In the automobile field, too, with regard to Hyundai Motor's present autos, "The market share was previously above 60 percent, but it will rise," said Yi, development chief, in high spirits. Also, in the heavy industry field, "From now on, heavy industry will take off. Managers without management ability will have to resign," Kim, president of Taihan Textiles, stated; after this wave of reorganization, a rise is inevitable. In the process of regulation, the strength of the whole heavy industry will be reinforced.

Fortunate First Half of the 1980's; 1990's Blooming with Latent Power

Also, part from the threefold handicap of high prices, recession and an international trade deficit, the unstable state of political affairs after the assassination of the president, and tightening military opposition from North Korea (Democratic People's Republic of Korea), the Korean economy faces difficult problems. With high prices, the New Year curb on wage increases is serious, and medium to small businesses with a weak management foundation face a pileup of serious problems having to do with the intensification of high growth and high inflation processes and the reduction of income differential.

However, Kim Yong-son, president of the Korean Chamber of Commerce and ambassador previously resident in Japan, said, "Pessimism is not even beginning. With the patient endeavors of the whole nation, we will advance spontaneously." And such efforts are beginning everywhere, as seen in the previous paragraph. We will probably emerge from the present crisis next year; [for this to happen] this year appears unreasonable. With the added effects of regulation of wage increases, increases in productivity, and cost reduction, export competitive strength ought gradually to recover.

The prospect of sudden recovery at one stroke from the present "winter season" to a "summer season," however, is faint. Probably an unstable condition, in which warm and cold weather will be intermingled, will continue in the first half of the 1980's. Grim conditions loom ahead with the addition of various domestic factors: prime cost price rises, import controls, competition from the rival NICS (newly industrialized countries) being caught up by the undeveloped countries, the barrier in Japan against goods of high added value, and even overseas factors.

Of course, with an increase in Korean productivity, lower costs, and advances in technical development, the attack of the undeveloped countries could be parried, the competition from the NICS could be resisted, and even a move could be made to raze the Japanese wall. The undeveloped countries, benefiting from low wages, are catching up with Korea, with its increased labor costs at the present time, and this is a serious problem. In the 1980's in particular, China will make a major move to acquire foreign currency by employing low-wage laborers. Korea previously had a part of the fiber manufactured goods and general merchandise fields, etc., but this market in China is being eroded.

In order to parry this type of competition, it is necessary for Korea, on the one hand, to augment production of high value added goods in the consumer goods field, and on the other hand to advance its heavy chemical industry in order to strengthen its export power. However, as mentioned, technical skill is necessary for heavy chemical industrialization, and this cannot be simply mastered as for consumer

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goods. It is feared that the present forced advance will be negated by excessive plant investment.

As regards consumer goods, again it is not easy to produce high grade goods, and the Japanese [tariff] wall is appropriately high. Good timing may be necessary for wide competition with Japan in the field of high value added goods.

Eventually, Korea may be squeezed from above (advanced nations, particularly Japan), from below (undeveloped countries), and from left and right (NICS); at present, time is necessary for Korea to rally its weakening strength and repulse this squeeze, to so speak. This is why Korea's path will not be smooth in the first half of the 1980's.

Because of this, the "Korean menace theory" is held to be a fantasy by Japanese businessmen who know Korea. The menace theory was based on the rapid growth of Korea in 1976-78. In this period, Korea had a substantially high growth rate of 10-15 percent, increased its exports and actually eroded the Japanese market for goods of low added value.

"In the same way, Korea will immediately overtake us in goods of medium added value, and with the rapid development of the heavy chemical industry, will it not threaten Japan with a huge national industry?" Thus the menace theory can be summarized. In actual fact, however, Japan is not really being overtaken.

Why not? In the first place, it takes time to acquire the production technology of high value added goods. Moreover, a rapid overtaking by Japan or by Korea is at an end. Even though the hare of Japan is taking a siesta, the tortoise of Korea is not going to catch up. Look! Korea has become the hare. The high capability of the Koreans for acquiring technological ability, and their diligence, are weapons for them to overtake Japan at an urgent pitch.

The Disadvantage of "Delayed Adolescence"

However, Japan's industrialization started earlier, and the difference will not gradually shrink. Korea is in a state of "delayed adolescence," so to speak. In addition, this Japanese hare, feeling that it will be overtaken easily, has speed and acceleration, i.e., a sensitive nature. The prevalence of the "menace theory" itself disperses the menace. The NICS are really beginning to be a difficult opponent for Korea.

The background of the Korean menace theory is mainly in the product life cycle theory. According to this theory, a product line which has reached its mature phase has small scope for technical improvement; a late developing country, having the advantage of low labor costs, will rapidly catch up with the advanced nations. And as the main basis of Japanese exports is autos, home electrical goods, cameras, etc., which are indisputably mature product lines, these are cited as the basis of the menace theory.

But in fact "mature articles of commerce have not strictly matured" is a point which has been overlooked and shows the error of the menace theory. Japan, with thin-form table TV sets with multiplex sound, strobe cameras, and the like, plans diversification of "mature product lines" and advances to opening up markets.

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Production of this diverse group of product lines requires expansion of party manufacturers, etc., and the cooperation of related undertakings; it seems possible that in Korea this has not reached the medium and small businesses, which are as yet not saturated.

Such developments can be seen in textiles, a so-called structural recession-type industry. Fashion changes over and over; the production of different fashions would be difficult unless, as in Japan, it formed a trinity from upstream through midstream to downstream. However, Japan, with a huge domestic market, has the ability to initiate new product lines one by one by developing narrow market conditions. As against this, being export-oriented, Korea has delayed the development of the domestic market, and with other intermediate countries has delayed this kind of marketing. Many of the local representatives of Japanese textile manufacturers exporting to Korea assert: "For the present, Japan's ability to initiate new products will probably not be overtaken."

Moreover, in the oil shock future, Japanese rationalization and labor-saving investment for articles of medium quality and in some cases even low value added goods will push out, so to speak, Japanese competitive strength. This is the reverse development of the product life cycle.

To take the example of domestic electrical goods, in the case of medium quality radios and tape recorders, stereos, etc., with the same performance [as those of Korea], the foreign exchange rate of \$1 = 220-230 yen is still favorable to Japan, and in the case of electrical accessories even an exchange rate of 200-210 yen many Japanese goods would still be cheaper, it may be said.

Superstrength Japan the Real Menace

Now it is the menace of "superstrength Japan" that Korea and other NICS feel in front of them and behind them. Moreover, if we look at the gap between the trade statistics of Japan and Korea, Korea is anything but a "menace"; it clearly has been Japan's customer consistently for these 10 years. At the time of normalization of Japanese-Korean relations in 1965, Korea's adverse balance was previously \$120 million and it has expanded every year; last year, in fact, it had swollen to \$3.28 billion.

Ironically, the "Korean menace theory" gained in 1976-1978, when Korea's adverse trade balance was excessive. In 1977, for example, the total adverse trade balance with Japan was in fact \$230 million. The positive part of Korea's trade balance was earned entirely from countries other than Japan.

Of course, Japan takes first place in Korean imports, with a 1/3 share in 1979 at \$6.7 billion, positively taking the lead over America, in second place with \$4.6 billion.

This kind of depth of unfavorable trade balance with Japan is bound to enlarge as long as Korea, in the "delayed adolescence" phase, has a shallow production base, with industrialization not advancing toward the direction of final consumer goods, and the materials, intermediate items, and capital goods necessary for processing having to be purchased from geographically convenient Japan. From the Korean's

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side, they would like to sell their final products to Japan, but since Japan already makes them and excludes low value added goods, the amount imported is restricted. This is why the unfavorable balance of trade with Japan has worsened.

At the present time, heavy chemical industrialization is being pushed as part of the import substitution policy but, as previously mentioned, this cannot be a rapid development. Thus the unfavorable balance of trade is not likely to be appreciably reduced for the present.

Cooperation Rather than Competition

The grim outlook for the Korean economy need hardly be mentioned, but taking the long-term outlook over the next 10-20 years, it may also be possible to say that Korea's high growth potential has been preserved. This is firstly because Korea, with high growth expected in the future world, belongs to the high-level Western economic sphere. Much more important than this are Korea's excellent acquisition of technology and its diligence; furthermore, it can be said to have a strong desire for growth.

Chon Pyong-Chan, the head of the Korean Institute of Science and Technology, which is the central headquarters for the scientific and technological research supported by the Korean Government, said, "The 1978's are the decade of trial and conquest. Perhaps prosperity will be waiting for us in the 1990's."

In the course of Korea's growth, competition with Japan will deepen, and the "menace" may in fact appear. However, the enlargement of the western Pacific region's economic scale will cause the horizontal specialization of both countries to increase, with resulting cooperation instead of competition--a compensatory relationship which may develop considerably.

This is to say that the present economic management of Korea's long-term growth may be erroneous, and a large misalignment may exist. This is because the efforts of both countries and the opening up of important technology and market developments, etc., will be through the cooperation of Japan. Certainly Japanese customs duties and nontariff barriers have already reached the average Western level, and the present large unfavorable trade balance against Korea could be said to be fundamentally the result of free trade. Clearing away the remaining barriers may not reduce the magnitude of the unfavorable trade balance.

However, if discussion accordingly stops at this stage, this is nothing more than the "strong man" theory. Japanese efforts to purchase more Korean products, and increased Japanese cooperation in the market development of Korean goods and technological aspects, will be bound to cause Korean exports to increase. Here it is important for friendly relations to be maintained between Japan and Korea, and because Korea's economic prosperity is in narrow straits, it is also necessary to obtain Japan's guarantee of safety. Moreover, when the "customer" is hard up, any cooperation is likely to be on a "commercial" basis.

Of course, these kinds of efforts have previously been carried out at the individual enterprise level. The Japanese Government, too, was thinking in July of various measures, such as sending Korean import promotion missions, etc. Henceforth it would be desirable for such activities to be further expanded.

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N. KOREA/FOREIGN RELATIONS

JAPAN-DPRK RELATIONS SEEN AS INCREASING

Tokyo MAINICHI SHIMBUN in Japanese 11 Aug 80 p 3

[Article: North Korea Commences Invitation Diplomacy; Sohyo, Asia-Africa Study Committee, and Social Democratic League Will Successively Pay a Visit During the First Third of the Next Month"]

[Text] Recently, "the invitation diplomacy" of the People's Republic of Korea (North Korea) is becoming very conspicuous. Following the admission of reporters, the Sohyo delegation headed by Chairman Makieda, a delegation from the Asia-Africa Study Committee (AASC) of the Liberal Democratic Party, and Representative Ta and some others from the Shaminren [Social Democratic League] are scheduled to visit P'yongyang one after another in September. All of these groups were invited by the General Federation of Trade Unions of Korea or by the Korean Society for Cultural Relations with Foreign Countries, and this invitation rush is extremely unusual. North Korea's smiling diplomacy which became flourishing in an inverse ratio to South Korea's growing tendency to shut itself out will send ripples to our country's policies toward the Korean Peninsula.

The labor groups' visit to North Korea is not a novelty, but this is the first time in 6 years that the delegation is headed by the Chairman of Sohyo since Makoto Ichikawa headed a delegation. A group of six with Chairman Makieda as its head will leave Narita on 4 September, will enter P'yongyang via Peking, and is expected to return on the 13th. It is likely that contact will be made with the culprit of the "Yodo incident" who went to North Korea as an "exile" by hijacking a plane belonging to Japan Airlines.

The visit to North Korea by the AASC of the Liberal Democratic Party will last for 11 days from 8 September to 18 September. This visiting group has eight members, headed by former Minister of Labor Katsushi Fujii. The AASC's visit to North Korea was originally scheduled for last May, but it was put off because it overlapped with the visit by the Japan-North Korea Parliamentary Union.

The delegation of the Shaminren is planning to go sometime in the first third of September, and the itinerary is now being arranged. In addition to Representative Ta, Secretary General Narasaki, Deputy Secretary Hata and most of the other leaders will be going.

As for the successive invitations of Diet members and labor union leaders to North Korea, the North Korean authority is evading a comment by saying "it simply became piled up due to weather conditions." However, North Korea has also worked on the

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U.S. Congress, and as a result Representative Solaz of the United States House of Representatives (Democrat) just finished his visit to North Korea in the middle of July. South Korea, on the other hand, is increasingly showing its closed nature, as evidenced in its refusal to admit "Amnesty International," an international human rights organization, into the country. As a result, the Japanese-Korean Cabinet-Level Meeting scheduled for September is also in danger.

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